



GUILFORD COUNTY

May 21, 2020

Guilford County Board of Commissioners:

The Honorable Jeffrey M. Phillips, Chair
The Honorable Alan Perdue, Vice Chair
The Honorable Melvin L. (Skip) Alston
The Honorable Alan Branson
The Honorable Katie S. (Kay) Cashion
The Honorable Carolyn Q. Coleman
The Honorable Justin Conrad
The Honorable J. Carlvana Foster
The Honorable Hank Henning

Guilford County Board of Commissioners and Residents of Guilford County:

It is my privilege to present to you the recommended budget for the 2020-21 fiscal year. In accordance with the General Statutes of North Carolina, the budget is balanced and prepared under the guidelines of the North Carolina Local Government Budget and Fiscal Control Act. A copy of this document has been filed with the Clerk to the Board and posted on the County's website where it is available to the public for inspection.

Local Economy

Local government budgets are impacted significantly by local economic conditions. In Guilford County, the unemployment rate remains relatively low. The March 2020 unemployment rate was 4.4%, up slightly from 4.2% in March 2019. The rate of unemployed workers is the same as the North Carolina statewide rate of 4.4% and, currently lower than the national rate of 4.4% which is prior to the impact of COVID-19. The county's two major sources of revenue are positively impacted when a higher percentage of Guilford County residents are employed. When people have more disposable income, taxable retail sales increase locally resulting in increased sales tax revenue. Fiscal year-to-date taxable sales in Guilford County were \$5.50 billion in February 2020 compared to \$5.23 billion the same time last year. Annual totals were projected to increase by 7% this year versus 3% last year. The county's property tax collection rate has also been on a positive trajectory in recent years due to timely payment of taxes. The real estate market has continued to strengthen with an average median three-bedroom home sale price of \$182,000 between January and April 2020 compared to \$162,900 for the same time period in 2019. Overall, the county's property tax base will increase by approximately 1.7% over estimated FY 2019-20 values.

Based on population estimates for July 2020, the county's permanent population has grown approximately 10.0% since 2010 to 537,000. However, the county's Medicaid-eligible population

has grown by more than 26% since January 2015 – a much faster pace than the general population which places increased demand on the county’s human services. The County’s Department of Commerce Economic Tier Ranking remains at Tier 2 for 2020 primarily due to median household incomes indicative that we have more work to do on the economic development front.

Much has changed since the budget retreat held in February. At that time, we were anticipating another year with modest revenue growth in property tax and sales tax. Due to the emergence of COVID-19 in the United States and government measures at all levels to control the spread of the virus, a somewhat strong economy has been crippled. Many businesses were required to close or significantly modify operations, millions of people were furloughed, schools were closed, federal stimulus packages were approved to aid jobless individuals and struggling business, businesses that did not close required many employees to work from home, sporting events and mass gatherings were stopped and thousands of people across the country have died.

Since most of the services that county governments provide are essential, Guilford County has continued to provide services with some modifications. Most of our employees have risen to the occasion and faced adversity head on and proven to be dedicated and dependable public servants. The fiscal impact on the current budget and the one proposed for FY 2020-21 is severe, particularly with respect to revenue. Projecting revenue in an environment where the economy was shut down and now is beginning to re-open has been a complex undertaking. There are many unknowns with regard to how long it will take for the economy to recover and if the reopening will cause a resurgence of the virus spread.

Thankfully, Guilford County was the recipient of a \$97.3 Coronavirus Relief Fund allocation from the U.S. Department of Treasury to assist with costs associated with response and recovery from the pandemic. These funds will be used to help the county increase preparedness to continue operations in future events and to assist the business community and non-profit organizations.

High Priority Focus Areas

In developing this budget, I looked to the Board’s guidance during its retreat and its review of the county’s mission, vision, and major focus areas. High level summaries of focus area funding included in the recommended budget are presented later in this message, identified using the icons noted below. Specific high priority initiatives are **noted in bold**. The priority areas are discussed in more detail in the County Goals & Priorities section of the budget document.



**Organizational
Excellence**



**Healthy
People**



Public Safety



**Economic
Development**



Education



**Recreation
& Culture**



Infrastructure

Budget Priorities

Limited growth in our major revenue sources, increases in demand for many of our current services, and the need to plan for significant future community needs presented constraints on what we have been able to accomplish with this budget. The current tax rate does not produce enough recurring revenues to maintain the current budgets for major facility maintenance needs, the set-aside for future county infrastructure projects, or to expand services in areas where we are not meeting our performance standards. In addition, the current tax rate does not provide enough recurring revenue to address the operating deficit the county had at the end of FY 2018-19 and is likely to have at the end of FY 2019-20. Additional work is required to clarify the county's purpose and desired future state of our community so that we can select, build, and fund services that support an improved Guilford County.

Given this year's constraints, difficult choices had to be made about which priorities could be funded and which ones could not without additional recurring revenues or a corresponding reduction in services. Nevertheless, this budget prioritizes and makes progress in four main areas that I believe are critical for the long-term success of our community:

- Protect the provision of quality services for our residents by attracting and retaining quality employees that provide quality work through a competitive and modernized compensation program. Our employees provide critical services that are especially necessary in the current COVID-19 public health emergency that we are experiencing during preparation of this budget.
- Support an enhanced system of mental healthcare including completing construction of a new 35,000 square foot, 16-bed facility-based behavioral health crisis center and the additional 6 new positions to support the facility and its operations.
- Expand efforts to reduce the infant mortality rate among the African-American and minority populations in Guilford County.
- Further reduce the vulnerability of the county's technology and data infrastructure through various improvements including the addition of a full-time Information Security manager as well as other technology upgrades.

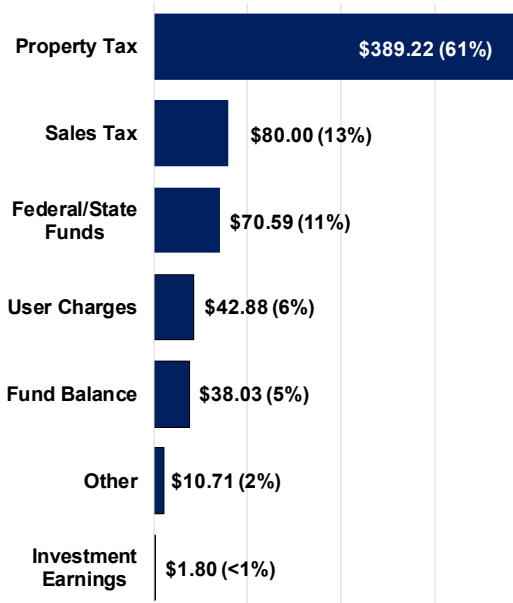
Recommended General Property Tax Rate

The proposed budget recommends a general county tax rate of 73.05 cents per \$100 of assessed valuation – no change from the current rate. The budget advances four critical board goals and maintains operations in a challenging economic and public health environment while working to limit the negative impact on critical county services.

REVENUES

Total revenues and appropriated fund balance are expected to increase by \$4.8 million next year, or 0.8% over last year's budget. The amount of fund balance used to balance the budget increases by \$8 million, mainly due to the significant decrease in sales tax revenues projected for next year. The amount of fund balance needed for general county services increases by about \$13.0 million.

About 61%, or \$389 million, of total General Fund revenues will come from the property tax. Sales tax and revenues from the federal and state governments will generate \$80 million (13%) and \$70 million (11%), respectively. Together, these three sources of funds account for nearly nine of every ten dollars of budgeted revenue.

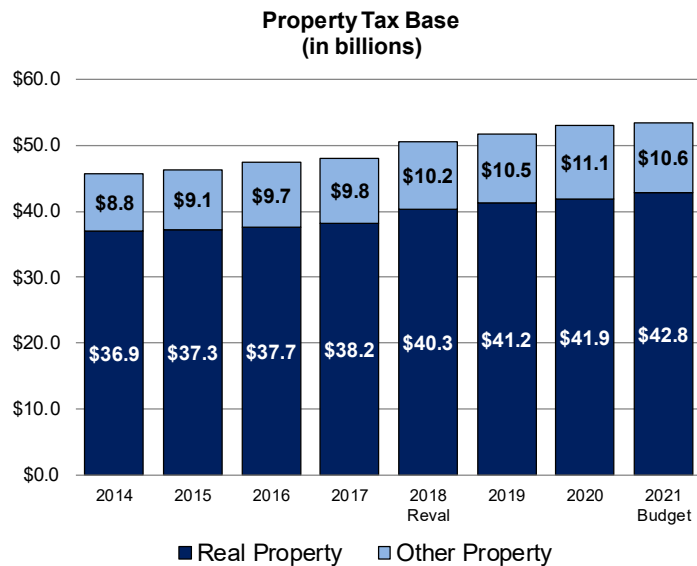


Summary of Sources of Funds

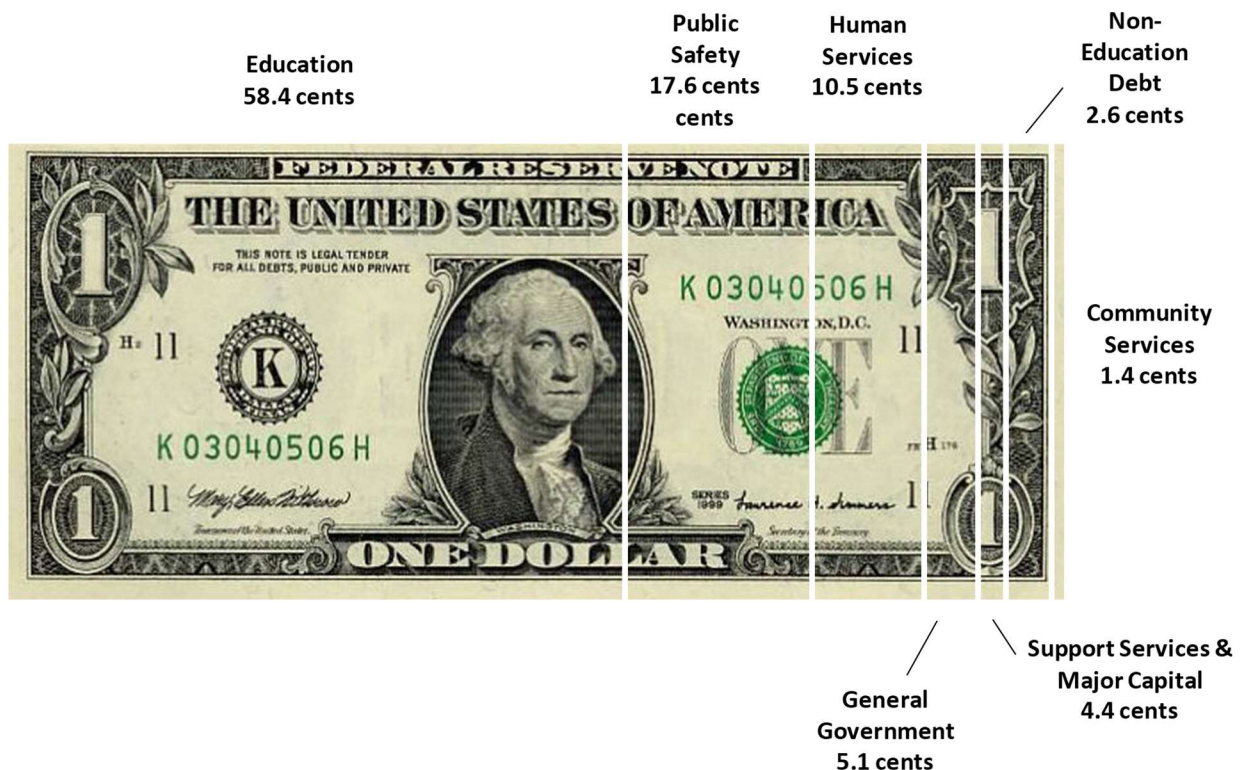
	FY2019 Actual	FY2020 Adopted	FY2020 Amended	FY2021 Pre-COVID	FY2021 Recomm	vs. FY20 Adopted	
						\$ chg	% chg
Property Tax	\$ 376,420,300	\$ 380,850,000	\$ 380,925,000	\$ 394,715,000	\$ 389,215,000	\$ 8,365,000	2.2%
Federal/State Funds	\$ 62,807,555	\$ 67,731,883	\$ 70,819,447	\$ 70,593,760	\$ 70,593,760	\$ 2,861,877	4.2%
Sales Tax	\$ 89,387,275	\$ 90,975,000	\$ 90,975,000	\$ 96,000,000	\$ 80,000,000	\$ (10,975,000)	-12.1%
User Fees & Charges	\$ 40,587,666	\$ 43,933,858	\$ 43,933,858	\$ 43,526,217	\$ 42,881,614	\$ (1,052,244)	-2.4%
Investment Earnings	\$ 5,820,633	\$ 4,406,551	\$ 4,406,551	\$ 4,406,550	\$ 1,797,550	\$ (2,609,001)	-59.2%
Other	\$ 16,196,890	\$ 10,102,642	\$ 11,538,340	\$ 11,736,282	\$ 10,708,182	\$ 605,540	6.0%
Total Revenues	\$ 591,220,319	\$ 597,999,934	\$ 602,598,196	\$ 620,977,809	\$ 595,196,106	\$ (2,803,828)	-0.5%
Fund Balance	\$ 9,089,377	\$ 30,401,116	\$ 40,577,897	\$ 28,852,474	\$ 38,029,414	\$ 7,628,298	25.1%
Total	\$ 600,309,696	\$ 628,401,050	\$ 643,176,093	\$ 649,830,283	\$ 633,225,520	\$ 4,824,470	0.8%

Property Tax

The total property tax base for FY 2020-21 is estimated to be \$52.5 billion. This is an increase of 1.9% over the prior year's estimated values and will result in an additional \$7 million of property tax revenue. The county continues to offer a discount of 0.5% for current year taxes paid by August 31. About 60% of property owners pay their tax bills by the discount deadline. The reduction in tax revenues due to this discount is approximately \$1 million. The property tax revenue projection for real property is based on a collection rate of 99.02% which is lower than prior years due to the potential impacts of COVID-19.



Education, including repayment of education-related debt, receives over 58 cents of every dollar of property tax collected by the county. The following chart indicates how the rest of each dollar raised is allocated.



Federal & State Funds

Revenues from the state and federal governments will increase by \$2.8 million to approximately \$70.6 million next year. A significant portion of this increase reflects 24 additional positions added in Social Services to address Medicaid applications as well as routine increases for reimbursements in existing positions. The still-delayed State budget means all of the increases are from federal sources.

The budget includes \$4.8 million in lottery revenues that are earmarked to help pay for school debt repayment. The budget assumes no change by the General Assembly to the current allocation of lottery funds; however, final changes to the state budget will not be made until later this year. About \$2.7 million of American Recovery and Reinvestment Act (ARRA) funds will also be used to help pay for debt repayment next fiscal year.

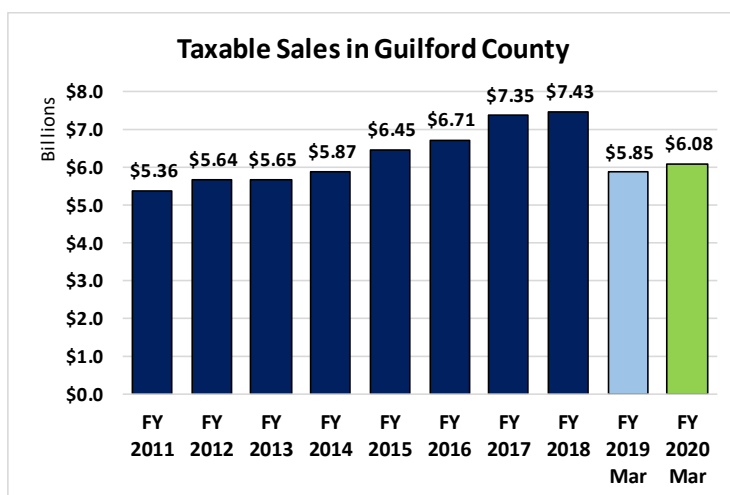
Sales Tax

Sales Tax revenues are budgeted at \$80 million for next fiscal year, a decrease of \$11.0 million or about 12% under current year budgeted sales tax revenue. Compared to FY 2019-20 projected revenues prior to COVID-19, this represents a \$16 million decrease and is a significant driver in the decisions that shaped the recommended budget for FY 2021.

Through March 2020, the latest month for which sales data are available from the state, taxable retail sales in Guilford County are up 3.9% over the same period last year. Actual sales tax revenues through the April 2020 distribution (seven of the twelve distributions the county receives annually), are up 6.9% over the same period last year. The amount of sales tax revenue the county receives is based on retail sales, the sales tax rate, and **refunds** of sales taxes paid by non-profits, local governments, and other entities qualified to receive a

refund of taxes paid. Because of the way refunds are reported to and processed by the state, the reduction in net sales tax revenues can vary significantly from year to year. So far in FY 2019-20, refunds charged against the sales tax revenues returned to Guilford County are down 13% over the same period last year. Because of this decrease in refunds, actual sales tax revenues through April 2020 are \$2.6 million higher than the same period in FY 2019-20. These actual amounts are all prior to the effect of the stay-at-home orders issued by the county and state effective at the end of March, however, so there is high uncertainty surrounding the level of retail sales for the remainder of FY 2019-20 as well as the first half of FY 2020-21. The recommended budget takes a conservative approach to budgeting sales tax revenues, anticipating an average decrease of about 17% or \$16 million in sales tax revenues in FY 2020-21 compared to anticipated FY 2019-20 actual revenues due to the economic impacts of COVID-19.

The budget assumes no changes to the way sales tax revenues are distributed to counties. Any changes made by state legislators that impact both the total amount of sales tax revenue that is returned to local governments in Guilford and how those revenues are distributed within the county could have a negative impact on county revenues.



Fees & Charges

User Fees and Charges will generate about \$42.8 million in FY 2020-21. While there is considerable variation in individual user fee budgets, the overall total is about \$1.05 million less than the amount adopted last year. Law Enforcement fees will decrease by \$160,000 primarily due to an anticipated reduction in civil process activity and to better reflect actual collections; Register of Deeds fees are down by \$271,000, Inspections fees are down by \$89,000, and Public Health fees by \$25,000, all as a result of demand decreases; and Animal Services fees are down by \$95,000 to better reflect actual revenues in the past two fiscal years.

In addition to the change in fee revenues related to general service level changes, the budget proposes increases to the base fee rates for several programs:

- Adjustments in Emergency Management disaster plan review fees for NC DHSR Regulated Facilities, resulting in an estimated annual revenue increase of approximately \$30,000.
- New fees for outside agency use of the Law Enforcement firing range complex, which are primarily anticipated to offset the maintenance needs generated by those agencies.
- An increase in Court Alternatives for the daily state subsidy for in-county youth to help reflect the increased costs from Raise the Age legislation and general operating costs. The unknown impact of COVID-19 on the number of individuals in detention facilities plus the reduction in out-of-county youth held by Guilford County results in no additional revenues from this increase for FY 2020-21, and instead limits the revenue loss due to fewer out-of-county youth.

Fund Balance

The General Fund budget includes a fund balance (from all sources) appropriation of \$38.0 million to help balance the budget – about \$7.5 million more than the amount needed to balance last year's adopted budget.

The amount of fund balance used to support general county operations is \$33.5 million, a \$13.0 increase from the prior year's budget. Restricted departmental fund balances make up the rest of the \$38.0 million of total appropriated fund balance.

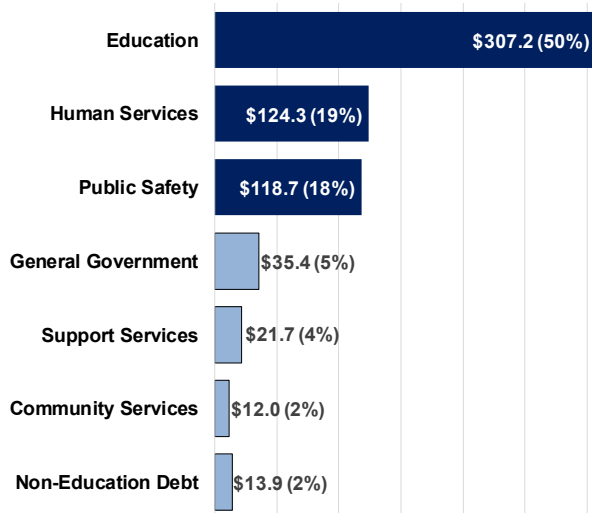
For many years, the county did not expend fund balance dollars used to balance the budget, however, over the previous two fiscal years a portion of the fund balance appropriated was utilized to cover capital and operating costs. Increasing the General Fund balance appropriation for FY 2020-21 was recommended only because the projected reductions in recurring General Fund revenues such as sales tax due to COVID-19 is believed to be a short-term impact.

EXPENDITURES

The recommended FY 2020-21 General Fund budget totals \$633,225,520. This is \$4.8 million (0.8%) more than the budget adopted for FY 2019-20. Expenditures for Education, Human Services, and Public Safety continue to account for almost nine of every ten dollars included in the budget.

This budget advances several of the Board's high priority goals, including protecting the level and quality of services by attracting and retaining a high-quality workforce through competitive compensation, supporting an enhanced system of mental healthcare, initiating a human services prevention service model to produce positive outcomes and opportunities for children, and reducing the vulnerability of the county's technology infrastructure.

FY 2020-21 Budget in millions



Summary of Expenditures by Service Category

	FY2019 Actual	FY2020 Adopted	FY2020 Amended	FY2021 Pre-COVID	FY2021 Recomm	vs. FY20 Adopted	
						\$ chg	% chg
Education	\$ 308,394,981	\$ 312,397,278	\$ 313,188,381	\$ 313,116,408	\$ 307,221,738	\$ (5,175,540)	-1.7%
<i>includes Education debt repayment</i>							
Human Services	\$ 110,466,712	\$ 118,961,336	\$ 123,696,252	\$ 124,278,543	\$ 124,261,467	\$ 5,300,131	4.5%
Public Safety	\$ 110,104,094	\$ 116,090,088	\$ 119,708,409	\$ 121,643,966	\$ 118,731,371	\$ 2,641,283	2.3%
Non-Education Debt	\$ 13,268,248	\$ 14,059,303	\$ 14,068,200	\$ 13,981,504	\$ 13,946,174	\$ (113,129)	-0.8%
Support Services	\$ 21,136,642	\$ 23,609,566	\$ 25,167,065	\$ 25,435,457	\$ 21,666,285	\$ (1,943,281)	-8.2%
General Government	\$ 25,909,659	\$ 32,288,705	\$ 33,875,040	\$ 39,361,794	\$ 35,411,595	\$ 3,122,890	9.7%
Community Services	\$ 11,029,360	\$ 10,994,774	\$ 13,472,746	\$ 12,012,610	\$ 11,986,890	\$ 992,116	9.0%
Total Expenditures	\$ 600,309,696	\$ 628,401,050	\$ 643,176,093	\$ 649,830,282	\$ 633,225,520	\$ 4,824,470	0.8%
Permanent Positions	2,580.75	2,606.75	2,645.75	2,653.75	2,653.75	47.00	1.8%

Summary of Expenditures by Type of Expense

	FY2019 Actual	FY2020 Adopted	FY2020 Amended	FY2021 Pre-COVID	FY2021 Recomm	vs. FY20 Adopted	
						\$ chg	% chg
Personnel	\$ 185,823,089	\$ 198,424,707	\$ 199,050,599	\$ 216,106,623	\$ 212,156,425	\$ 13,731,718	6.9%
Operating	\$ 298,932,155	\$ 312,919,560	\$ 320,599,869	\$ 321,465,660	\$ 311,981,171	\$ (938,389)	-0.3%
Debt Repayment	\$ 95,402,831	\$ 96,079,655	\$ 96,079,655	\$ 91,270,986	\$ 90,790,986	\$ (5,288,669)	-5.5%
Human Svc Assistance	\$ 12,917,539	\$ 17,127,503	\$ 17,326,272	\$ 17,070,335	\$ 17,070,335	\$ (57,168)	-0.3%
Capital Outlay	\$ 7,234,082	\$ 3,849,625	\$ 10,119,698	\$ 3,916,678	\$ 1,226,603	\$ (2,623,022)	-68.1%
Total Expenditures	\$ 600,309,696	\$ 628,401,050	\$ 643,176,093	\$ 649,830,282	\$ 633,225,520	\$ 4,824,470	0.8%
Permanent Positions	2,580.75	2,606.75	2,645.75	2,653.75	2,653.75	47.00	1.8%



Education

Guilford County partners with local schools to develop a system that produces graduates with high academic achievement and skill levels to compete successfully in the job market.

This spring, the Board of Commissioners confirmed **ensuring adequate funding of public education** as one of its high priority focus areas. The recommended budget supports this goal through additional operating and capital funds for education. Details regarding the \$312.5 million recommended Education budget, the largest expenditure category in the budget, are included below.

Guilford County Schools & Charter Schools

- The recommended FY 2020-21 local Operating and Capital Maintenance Budget for the **Guilford County Schools** is \$212,726,926, no change over the previous year's adopted budget due to the budgetary restraints from the economic impact of COVID-19.
- The Board of Education's full request for FY 2020-21 includes a \$7.5 million increase in operating and \$20.0 million in capital funding. A property tax rate increase of 4.1 cents is needed to fully fund the Board of Education's request. (Note: Guilford County Government does not allocate operating funding directly to charter schools. Guilford County Schools allocates a per pupil amount to the charter schools from its county allocation based on final funding and student population numbers and actual charter school enrollment.
- The budget includes an increase in operating funding for GCS of \$3 million from \$206,610,398 to \$209,610,398. Total student population is projected to be 80,270 (71,331 Guilford County Schools and 8,939 charter schools). This allocation increases the county's projected per pupil operating allocation from \$2,554 to \$2,611. For FY 19-20, the county ranked 6th highest in local operating funding among the 10 largest counties and 14th among all counties. The Board of Commissioners previously set target funding levels to be 3rd among the 10 largest counties and within the top 10 among all counties. Rankings for FY 20-21 will not be available until all counties adopt their budgets.
- The county funding for capital maintenance and repair projects is \$3,116,528, a decrease of \$3 million over the previous budget.
- All the county's operating allocation will be provided to the Guilford County Schools which must then make allocations to charter schools that serve Guilford County students. Based upon current school population estimates, the Guilford County Schools will retain about \$186.3 million of the total allocation and the rest, about \$23.3 million, will be distributed to charter schools. Actual charter school allocations will be based on actual student population numbers.

Guilford Technical Community College

- The operating allocation for Guilford Technical Community College (GTCC) is increased by \$450,000 to \$17,100,000. The budget recommends a capital maintenance and repair appropriation of \$550,000 million, a reduction of \$450,000 from the FY 2019-20 budget. The Board of Trustees requested a total increase of \$2.2 million in operating and capital maintenance funds.

Debt repayment for school and community college facilities will be \$76.8 million next year.



Healthy People

Guilford County is a healthy community that strengthens coordination of care through partnerships which ensure the availability of quality social, physical, psychological and behavioral health services.

The total Human Services budget, which includes most Healthy People programs, will increase by \$5.3 million next year to a total \$124.3 million, 19.6% of the county's budget and the second largest expenditure category. Revenues offset about 58% of total expenses.

Major changes for Healthy People include:

- The annual cost of 24 new positions, authorized in the current fiscal year, in Social Services of approximately \$1 million. These positions will allow the department to increase the number of Medicaid applications processed and help ensure the county can meet its state performance goals. Federal funding offsets about half of the position costs. The budget also includes an additional \$50,000 to support local organizations providing care for seniors in the community.
- **One new Infant Mortality Coordinator position (\$56,000 starting in September 2020) in Public Health that will focus on reducing infant mortality among the African-American and minority populations in Guilford County.**
- The annual cost of 10 new grant-funded clinical positions in Public Health added during the FY 2019-20 fiscal year.
- **Six new positions for Mental Health including a Mental Health Center Director position plus other operating expenses to support the new 16 bed mental health facility that will be completed in fall 2020 (\$657,500).** Regular funding for Sandhills Center operations remains at \$9,674,000, and Sandhills will continue to use a portion of that allocation to provide the county's Mental Health Court, the Adult Drug Treatment Court, and the Juvenile Drug Treatment Court.
- The full year impact of phase 1 pay plan adjustments and merit, increases in the state retirement for employers, and increases in the county's group insurance.



Public Safety

Guilford County maintains safe and secure communities through strategically coordinated and professional public safety services.

Public Safety is the third largest service category in the General Fund at almost 19% of total county expenditures. Guilford County's Public Safety departments protect the safety of residents and visitors and include the Sheriff's Department, Emergency Services, Building Inspections, and Animal Services. The budget includes \$118.7 million for Public Safety services, an increase of \$2.6 million or 2.3% over the prior year's budget. Revenues offset approximately 28% of total expenses.

Major changes in the Public Safety budget include:

- The Law Enforcement budget includes additional funds for medical care of inmates (\$630,000) and funding for increases in personnel costs. The budget also includes funding for 5 replacement vehicles.
- The Emergency Services (ES) and Guilford-Metro 911 Communications budgets include:
 - A decrease of \$260,400 in the county's share of Guilford-Metro 911 expenses. Costs are shared with Greensboro based upon usage by participating county and city departments during the previous calendar year. The county will pay 40% of GM 911's net expenses next year, the same as in FY 2019-20.
 - An additional \$67,000 to support facility maintenance needs at the new EMS Maintenance & Logistics Facility, anticipated to open in late summer 2020.
 - One replacement staff vehicle.
 - \$200,000 in funding to maintain the GC STOP program; \$100,000 of this expense will be offset with ABC bottle tax revenues.
- The Family Justice Center budget includes an additional \$22,650 for the Victims of Crimes Act grant which includes the cost of existing two positions for child trauma and elder justice services.
- The Juvenile Detention/Court Alternatives budget includes the full year impact of four new positions (three Juvenile Counselor Technicians and one Human Services coordinator) added in FY 2019-20 to provide adequate supervision and programming for juveniles after the Raise the Age legislation took effect December 1, 2019 (\$408,000) plus \$42,000 for increased medical care of youth in the detention center and \$40,000 for replacement of kitchen equipment at the end of its service life.
- Funding for the five Animal Services positions added in fall 2019 to improve staff capacity to care for animals and improve the public's experience at the shelter (\$192,000).
- The full year impact of phase 1 pay plan adjustments and merit, increases in the state retirement for employers, and increases in the county's group insurance.
- The county's fire districts revenues will be \$1.8 million less than initially projected due to the economic impact of COVID-19 which results in a \$850,000 decrease in funding from Guilford County sources from the FY 2019-20 budget. No fire district tax rate changes are included in this budget.



Organizational Excellence

Guilford County provides the highest possible level of services by being a fiscally sound organization that values a high performing, professional, and innovative workforce.



Infrastructure

Guilford County provides safe and adequate public facilities that support the service, access, and technological needs of the public while optimizing the utilization of all properties.

The Organizational Excellence and Infrastructure focus areas include most of the departments that fall under the General Government, Support Services, Capital Needs, and Non-Education Debt service categories. Together, the budgets for these departments total \$71 million. This is \$1.0 million more than last year's combined budgets.

Major changes in the Organization Excellence and Infrastructure budgets include:

The budget does not include funding for the implementation of phase 2 of the county's market-based compensation study recommendations (an additional \$2.5 million, the same total included in the FY 2019-20 budget). This study was planned to be implemented in three phases that will allow the county to continue to provide high quality services by offering competitive compensation that attracts and retains high quality employees, but has been delayed due to the significant revenue reductions due to the COVID-19. The budget does include approximately \$1.9 million total for merit increases as well as an additional \$5.8 million to reflect cost increases in the county's self-funded healthcare plan.

An increase in the Elections budget (\$560,000) is related to the 2020 Presidential Election that is scheduled for November 2020, and will be the first major election conducted with the county's new voting machines. Unlike FY 2019-20, this expense will not be off-set by any municipal revenue resulting in a net increase in county dollars of \$730,000. The county is monitoring the public health situation in case alternative voting methods must be used to accomplish significant social distancing, but the current budget is anticipated to be sufficient should this be necessary.

The Information Services budget reflects the costs associated with the county's new enterprise resource planning software, Munis, in support of the Board's goal to promote fiscal responsibility, accountability and stewardship. **It also includes one new IT Security Manager position (\$97,600) to support the Board's goal of improving information technology infrastructure and data security.**

Scheduled debt repayments and related fees for voter-approved bonds and other capital needs, including the Spring 2019 issue of \$40 million in bonds for school and county facilities, are planned to decrease by \$4.8 million due to changes in the debt payment schedule as well as the removal of \$2.6 million in debt leveling funds. These reductions are offset by the decrease in bond premium used for interest payments from \$7.6 million in FY 2019-20 to \$1.65 million in FY 2020-21 which results in a net increase in county funds needed for debt service of \$6 million. This increase would have been greater, but the debt leveling funds helped to lessen the impact on county dollars. For FY 2021-22, however, the approved debt repayment schedules for existing debt call for a further increase in county funds of \$3.9 million due to scheduled increases in debt payments amounts. In addition, the Board of Commissioners and the Board of Education are currently reviewing a school capital facilities report that indicates an additional \$1.5 billion are needed to renovate or rebuild many of the county's 126 school facilities that were rated as unsatisfactory or in poor condition due to age and deferred maintenance. The responsibility for funding school construction rests with the county. However, if a school bond referendum is placed

on the November 2020 ballot and approved by the voters, there would be no impact on the FY 2021 budget as the bonds would not be issued for 1.5 to 2 years.

To protect current service levels and staff compensation while avoiding a general tax rate increase amidst the economic impact of COVID-19, the following significant reductions to county infrastructure and equipment maintenance/replacement programs have been made:

- The major facilities maintenance program has been reduced by \$1 million from \$2.5 million to \$1.5 million. This budget does start transferring these maintenance funds to the county's capital fund which will make them easier to maintain at fiscal year-end if projects are delayed, but additional funding will be needed in future years to address the growing maintenance needs across the county.
- The motor vehicle annual replacement budget is reduced by \$2.65 million. This will allow the county to purchase 5 replacement vehicles for general fleet operations. However, it defers 14 other needed replacements for the general fleet, as well as 24 law enforcement, 1 emergency services, and 3 animal services replacements until future years.
- The cash transfer for the county's Capital Investment Plan (CIP) is on hold for FY 2020-21, a decrease of \$1.01 million from FY 2020-21. Like the reductions in facility maintenance and vehicle replacements, this decrease was made to maintain community service levels and avoid a property tax increase. However, the county's CIP is not fully funded and additional cash funds or debt financing will be required to complete the planned projects starting in FY 2021-22.



Economic Development

Guilford County encourages economic development by working with all stakeholders to create quality jobs, and expand and diversify the local and regional economy.



Recreation & Culture

Guilford County enhances the quality of life in the community by supporting leisure, physical activities, and cultural opportunities.

The county's Community Services departments support the Economic Development and Recreation and Culture high priority focus areas. These budgets, in total, will increase by approximately \$1.0 million to \$12.0 million in FY 2020-21. This increase is due to a significant increase in Solid Waste due to tire disposal cost increases as well as an increase incentive grant payouts scheduled during the next fiscal year in the Economic Development department.

Guilford County does not operate a library system, but does provide operating support for local municipal libraries in Greensboro, High Point, Gibsonville, and Jamestown. The budget keeps library funding at its current level of \$1.83 million. Because the county provides financial support to these libraries, all county residents, regardless of where they live, may use any of these facilities without paying a non-resident library card fee.

Staffing and Employee Compensation

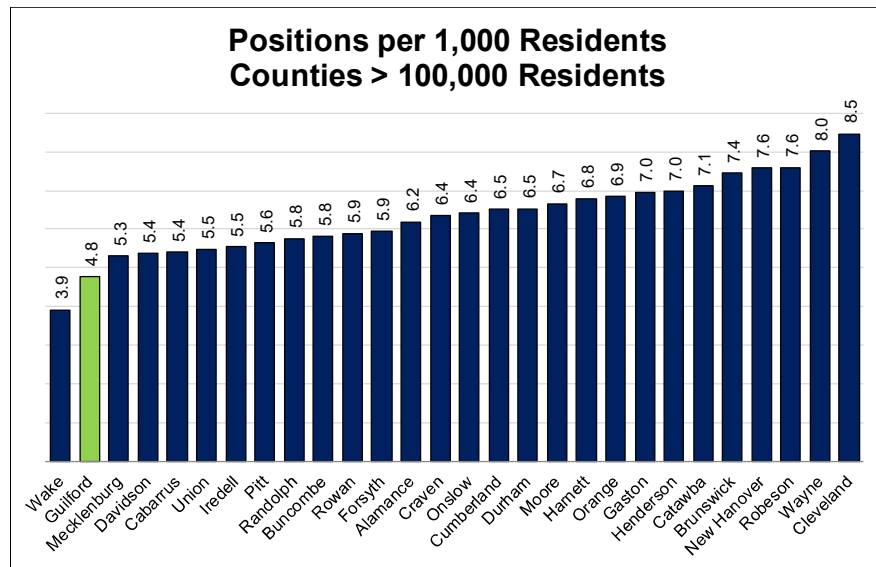
Staffing

The budget includes the following eight new positions:

- **Information Services** - 1 IT Security Manager (\$97,500)
- **Public Health** - 1 Infant Mortality Coordinator (\$56,000, starting in early September 2020)
- **Mental Health** – 1 Mental Health Center Director (\$114,200, starting in mid-September 2020) and 5 Deputy Sheriffs (\$114,000 starting in February 2021)

Note: 55 positions were requested to address demand and service needs in a variety of departments

Based on county employment data collected by the North Carolina Association of County Commissioners for FY 2019-20 adopted budgets, the latest year for which position counts are available for other counties, Guilford County had the second lowest number of employees per 1,000 residents for large counties at 4.8 positions. The average for all counties is 9 positions for every 1,000 residents.



Employee Compensation

The budget includes a merit pool equivalent to 3.0% of salaries and benefits. Employee merit pay increases are typically effective the first full pay period in January 2021. Merit adjustments will be based on job performance and may be more or less than 3% based on individual and overall department performance scores. The first-year net cost of the merit program is approximately \$1.85 million (\$2.25 million gross expense less expected vacancies and reimbursement revenue from non-county sources). A full year's net cost is approximately \$4.1 million (\$5.2 million gross expense less expected vacancies and reimbursement revenue from non-county sources). This merit pool is made possible by a combination of removing funding for Phase 2 of the Market Pay Plan (-\$2.5 million) and an addition \$1.5 million in lapsed salaries which leaves no excess payroll budget for current staffing levels. Should the negative fiscal impact of COVID-19 on county revenue be worse than projected, the ability to award merit adjustments will be evaluated at mid-year.

Conclusion

The recommended budget for FY 2020-21 will allow the county to advance some of the initiatives included in the Commissioners' Major Focus Areas and maintain current service levels. Slow growth or decline, however temporary, in the county's major revenue sources will limit the implementation of new programs or the expansion of existing services, but this budget works to ensure all services continue at current levels. Accomplishing this has required a delay in implementation of the second phase of the compensation/classification study, but this budget tries to limit other impacts on employees as much as possible.

Progress will be made with our high priority capital projects thanks to the Board of Commissioners' authorization of construction contracts for three projects, authorization of purchase for a fourth, and significant progress on a fifth after issuance of \$40 million in two-thirds bonds in Spring 2019. Construction is expected to be completed on the EMS Maintenance and Logistics Center, Animal Shelter and the Ambulatory Behavioral Health Crisis Center; a contract is in place for purchase of the Greensboro Parks & Recreation Building for Juvenile Justice; and the architectural design process is underway for the Law Enforcement Center. Guilford County Schools is developing a comprehensive school security plan which will be partially funded with proceeds of the two-thirds bonds.

Development of a bond referendum package for school facilities including prioritizing projects and identifying issuance amounts is ongoing. It will be incumbent on the Board of Education and the Board of Commissioners to continue to work together to develop a school facilities master plan and prioritize the projects to be included in a school bond referendum package for voter consideration.

Public school funding remains one of the Board of Commissioners' top priorities. This budget proposal does not increase in overall funding due to external economic changes, but it does shift funds to school operating from capital. Hopefully, the State of North Carolina will continue to increase school funding to offset the costs of class size mandates and other public operating needs so that county governments can allocate more resources to facilities, which is our statutory responsibility.

The challenges associated with meeting our service demands continue to grow, as does the pressure on the limited revenue options for county governments. The growth in the property tax base, while positive, is not as strong as needed to keep pace with operating cost increases and capital needs. While the Greensboro/High Point metropolitan area ranks in the top 10 nationally for new development project announcements, the rate of poverty in the county remains high which tends to increase county service demands in human service, public safety, and education.

This budget was developed with the goal of maintaining the ad valorem property tax rate in the midst of the adverse COVID-19 economic impacts and includes an increased fund balance appropriation to balance revenues with expected expenditures, which has been a practice for many years. A portion of the fund balance budgeted last year was expended and a portion of the fund balance appropriated in the current year will likely be expended. The county maintains a solid financial position, but the operating budget's reliance on fund balance is a concern.

We look forward to advancing the county services and capital projects while leading a strategic recovery from the COVID-19 pandemic. This public health crisis will cause us to test new ways of doing business that could make our organization stronger in the end. We will evaluate the county's revenues closely throughout the year. If revenues are stronger than projected, we may be able to amend the budget to include things that could not be included initially, or if revenues are weaker than projected, amendments to reduce budgeted expenditures may be necessary.

I would like to thank Commissioners for your leadership and support of staff during this budget development process. I look forward to working with you over the next month to finalize a budget for Guilford County that will meet the needs of the community for the upcoming year. I would also like to thank the county department directors for submitting thoughtful budget requests and for leading a dedicated and high-performing team of professionals. Finally, I would like to thank Interim Budget Director, Alex Smith, and rest of the Budget, Management and Evaluation staff for their focus, insight, and professionalism in developing this recommended budget plan for FY 2020-21.

Respectfully submitted,



Marty K. Lawing
County Manager